



The Daibiru Group Briefing Session Material for Fiscal 2017

May 25, 2018
DAIBIRU CORPORATION
Toshiyuki Sonobe
Representative Director,
President Chief Executive Officer

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<Note>

Information in this document, including opinions, forecasts, and projections, were prepared based on the Company's own analyses at the time of compilation of this document.

We do not guarantee their accuracy. Please bear in mind that future business performance may differ from the information in this document due to a variety of factors including market conditions.

➤ **Updating the height** at revenue and each income stage in the past
(Record-high revenue for **five consecutive years**)

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Difference	Key points
Revenue	39,451	40,400	948 [2.4%]	<ul style="list-style-type: none"> < Leasing > <ul style="list-style-type: none"> • Revenue contributions from the termination of free-rent period of Shin-Daibiru Building, etc. < Facility Management > <ul style="list-style-type: none"> • Increase in new orders and full-year contribution from Nishinihon Sogo Setsubi Co., Ltd., etc.
Operating income	10,693	11,055	361 [3.4%]	<ul style="list-style-type: none"> • An increase in repairing expenses for renewal construction of the Shiba Daibiru Building, etc. • Decreases in depreciation and amortization, etc.
Ordinary income	9,688	10,640	951 [9.8%]	<ul style="list-style-type: none"> • Recording of share of profit of entities accounted for using equity method • A decrease in interest expense, etc.
Net income attributable to owners of the parent	6,160	7,260	1,100 [17.9%]	<p>Extraordinary income and loss</p> <p>< Fiscal 2017 ></p> <ul style="list-style-type: none"> • Extraordinary income: None • Extraordinary loss ¥41 million <ul style="list-style-type: none"> Loss on disposal of fixed assets ¥41 million <p>< Fiscal 2016 ></p> <ul style="list-style-type: none"> • Extraordinary income ¥25 million <ul style="list-style-type: none"> Gain on sales of investment securities ¥25 million • Extraordinary loss ¥638 million <ul style="list-style-type: none"> Loss on disposal of fixed assets ¥18 million Provision for environmental measures ¥620 million

Operating Results for Fiscal 2017 -By Segment-

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Difference		Key points
Revenue	39,451	40,400	948	[2.4%]	
Leasing	30,494	31,254	759	[2.5%]	• Revenue contributions from the termination of free-rent period of the Shin-Daibiru Building, etc.
Facility Management	10,802	11,108	306	[2.8%]	• Increase in new orders and full-year contribution from Nishinohon Sogo Setsubi Co., Ltd., etc.
Other Businesses	490	408	(81)	[(16.6%)]	• Decrease in construction subcontracting values, etc.
Adjustment	(2,336)	(2,372)	(35)	–	
Operating income	10,693	11,055	361	[3.4%]	
Leasing	11,534	12,001	467	[4.1%]	• An increase in repairing expenses for renewal construction of the Shiba Daibiru Building, etc. • Decreases in depreciation and amortization, etc.
Facility Management	540	568	27	[5.1%]	
Other Businesses	190	196	6	[3.2%]	
Adjustment	(1,570)	(1,709)	(139)	–	

Operating Results for Fiscal 2017 -Balance Sheets-

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Difference	Key points
Current assets	10,524	6,535	(3,988)	<ul style="list-style-type: none"> • An increase in investment securities (investment in a company accounted for by the equity method, etc.) • Decreases in depreciation • A decrease in cash and cash equivalents, etc.
Noncurrent assets	341,120	344,911	3,790	
Total assets	351,645	351,446	(198)	
Current liabilities	10,266	16,044	5,777	<ul style="list-style-type: none"> • A decrease in interest-bearing debt, etc. (Balance at the end of Fiscal 2016 149,672 million) (Balance at the end of Fiscal 2017 141,542 million)
Long-term liabilities	190,384	177,729	(12,655)	
Total liabilities	200,651	193,773	(6,878)	
Capital	12,227	12,227	—	<ul style="list-style-type: none"> • Retained earnings +5,335 million • Net unrealized holding gains on securities +1,613 million, etc.
Total net assets	150,993	157,673	6,679	
Total liabilities and net assets	351,645	351,446	(198)	

- Unrealized gain of ¥183,353 million in owned properties at the time of disclosure of the market prices of leasing properties.
- Net assets per share based on market price taking into consideration of unrealized gain after tax were ¥2,424. (Net assets per share based on book value were ¥1,337.)

Operating Results for Fiscal 2017 -Cash Flows-

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Difference	Key points
Net cash provided by (used in) operating activities	15,157	13,957	(1,199)	
Net cash provided by (used in) investing activities	(3,287)	(7,847)	(4,559)	<ul style="list-style-type: none"> Purchases of investment securities in line with investment in a company accounted for by the equity method, etc.
Net cash provided by (used in) financing activities	(9,624)	(10,131)	(507)	
Net increase (decrease) in cash and cash equivalents	2,409	(3,798)	(6,207)	
Cash and cash equivalents at beginning of year	5,545	7,954	2,409	
Cash and cash equivalents at end of year	7,954	4,155	(3,798)	

- Expectation of updating the height at revenue for six consecutive years, but decreasing income in each income stage

(Millions of yen)

	Fiscal 2017	Fiscal 2018	Difference		Key points
Revenue	40,400	40,500	99	[0.2%]	< Leasing > • Revenue decreased due to tenant vacating Nakanoshima Daibiru Building, etc. < Facility Management > • Increase in new orders, etc.
Operating income	11,055	10,000	(1,055)	[(9.6%)]	• Increases in depreciation and amortization (Change of useful lives of Yaesu Daibiru Building and Midosuji Daibiru Building) • Increase in fixed asset tax, etc.
Ordinary income	10,640	9,500	(1,140)	[(10.7%)]	• Share of profit of entities accounted for using equity method was recorded in Fiscal 2017
Net income attributable to owners of the parent	7,260	6,500	(760)	[(10.5%)]	

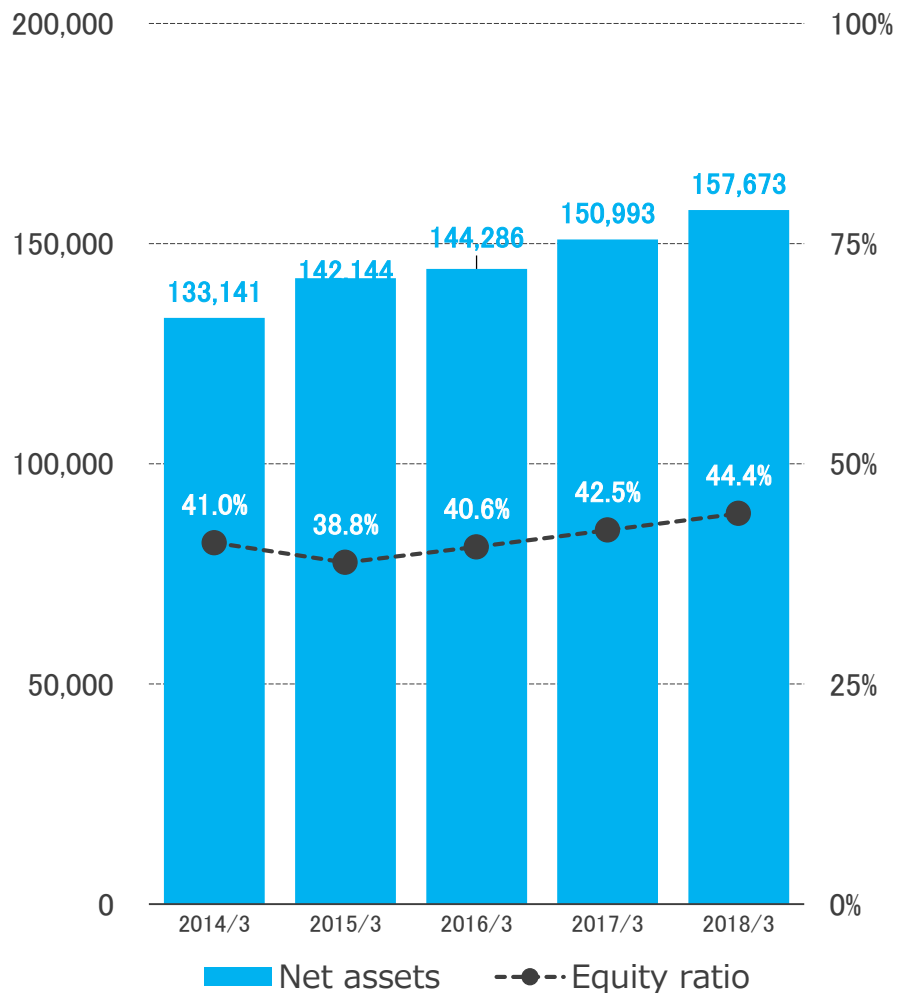
Forecasts for Fiscal 2018 -By Segment-

(Millions of yen)

	Fiscal 2017	Fiscal 2018	Difference		Key points
Revenue	40,400	40,500	99	[0.2%]	
Leasing	31,254	30,900	(354)	[(1.1%)]	• Revenue decreased due to tenant vacating Nakanoshima Daibiru Building , etc.
Facility Management	11,108	11,500	391	[3.5%]	• Increase in new orders, etc.
Other Businesses	408	500	91	[22.3%]	
Adjustment	(2,372)	(2,400)	(27)	—	
Revenue	11,055	10,000	(1,055)	[(9.6%)]	
Leasing	12,001	11,200	(801)	[(6.7%)]	• Increases in depreciation and amortization (Change of useful lives of Yaesu Daibiru Building and Midosuji Daibiru Building) • Increase in fixed asset tax, etc.
Facility Management	568	600	31	[5.6%]	
Other Businesses	196	100	(96)	[(49.0%)]	
Adjustment	(1,709)	(1,900)	(190)	—	

Net assets/Equity ratio

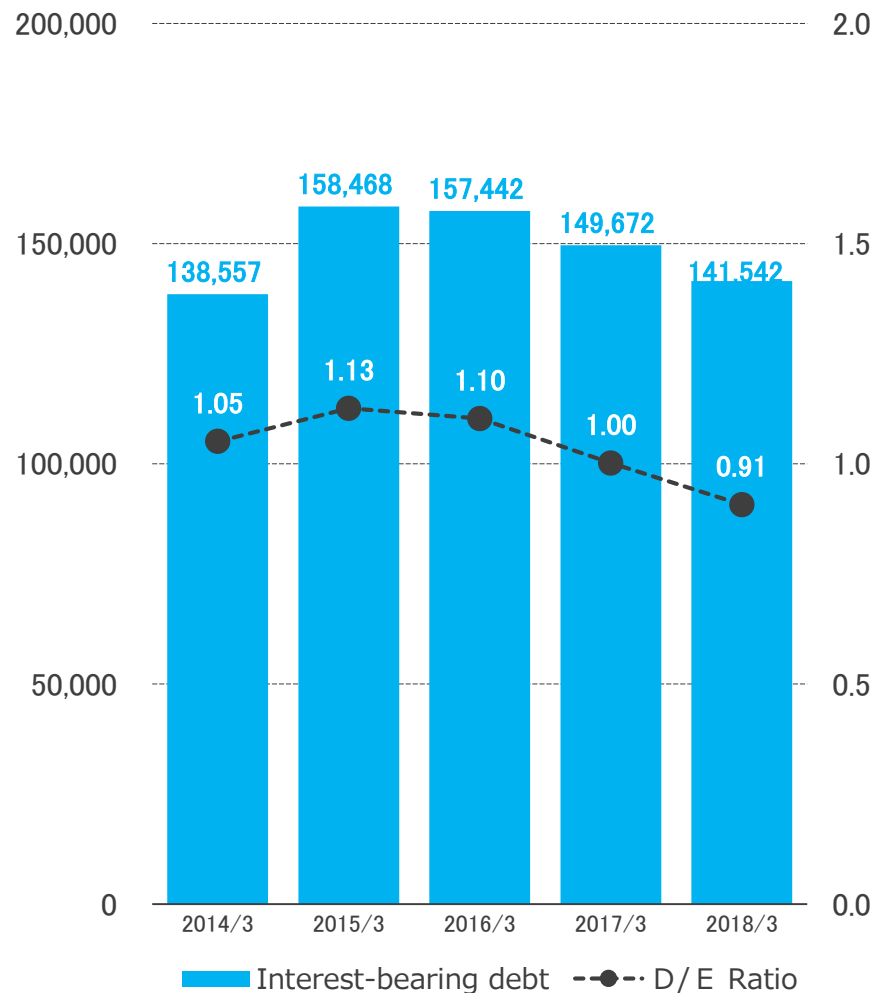
(Millions of yen)



(Note) Equity ratio=Equity/Total assets

Interest-bearing debt / D/E ratio

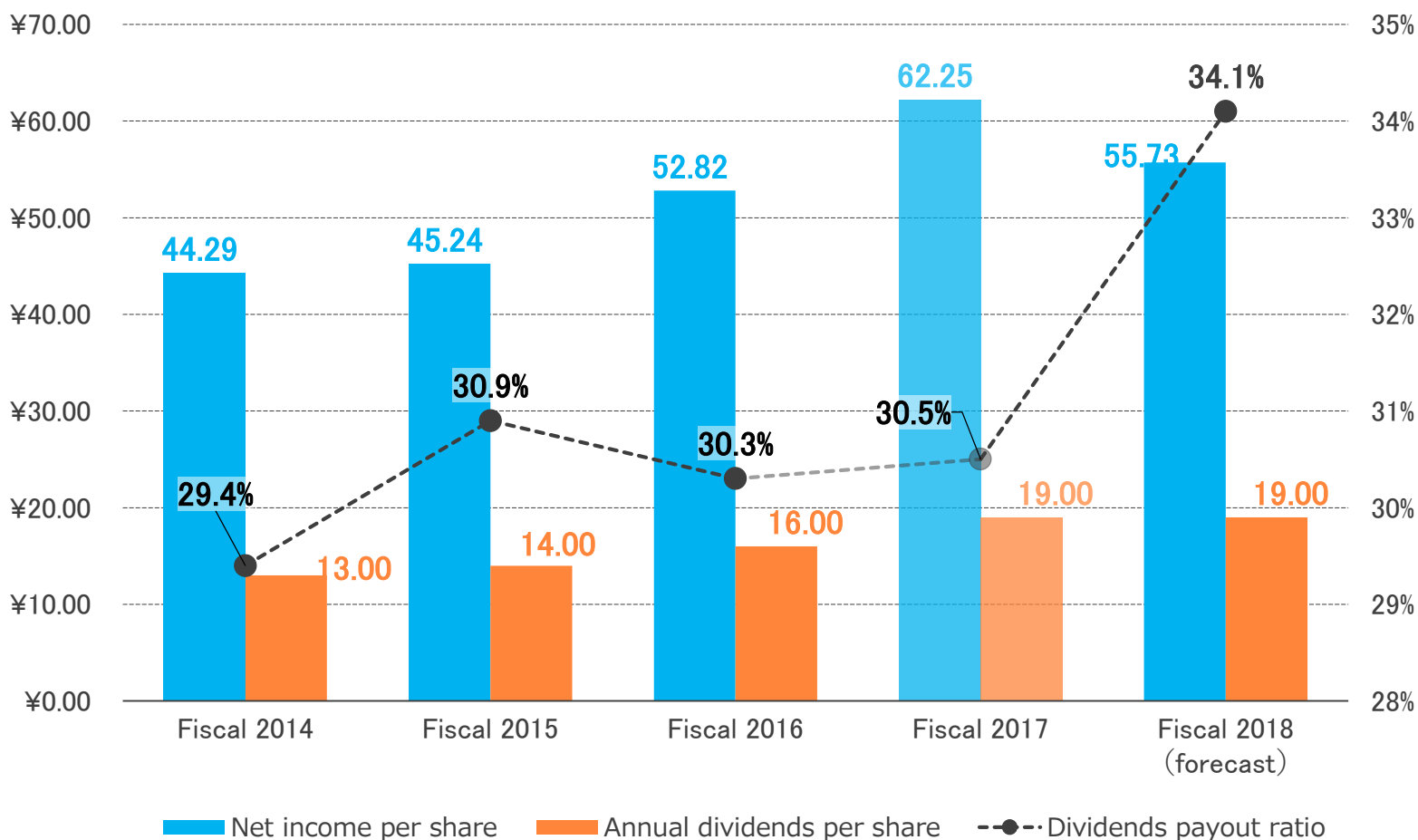
(Millions of yen)



(Note) D/E Ratio=Interest-bearing debt/Equity

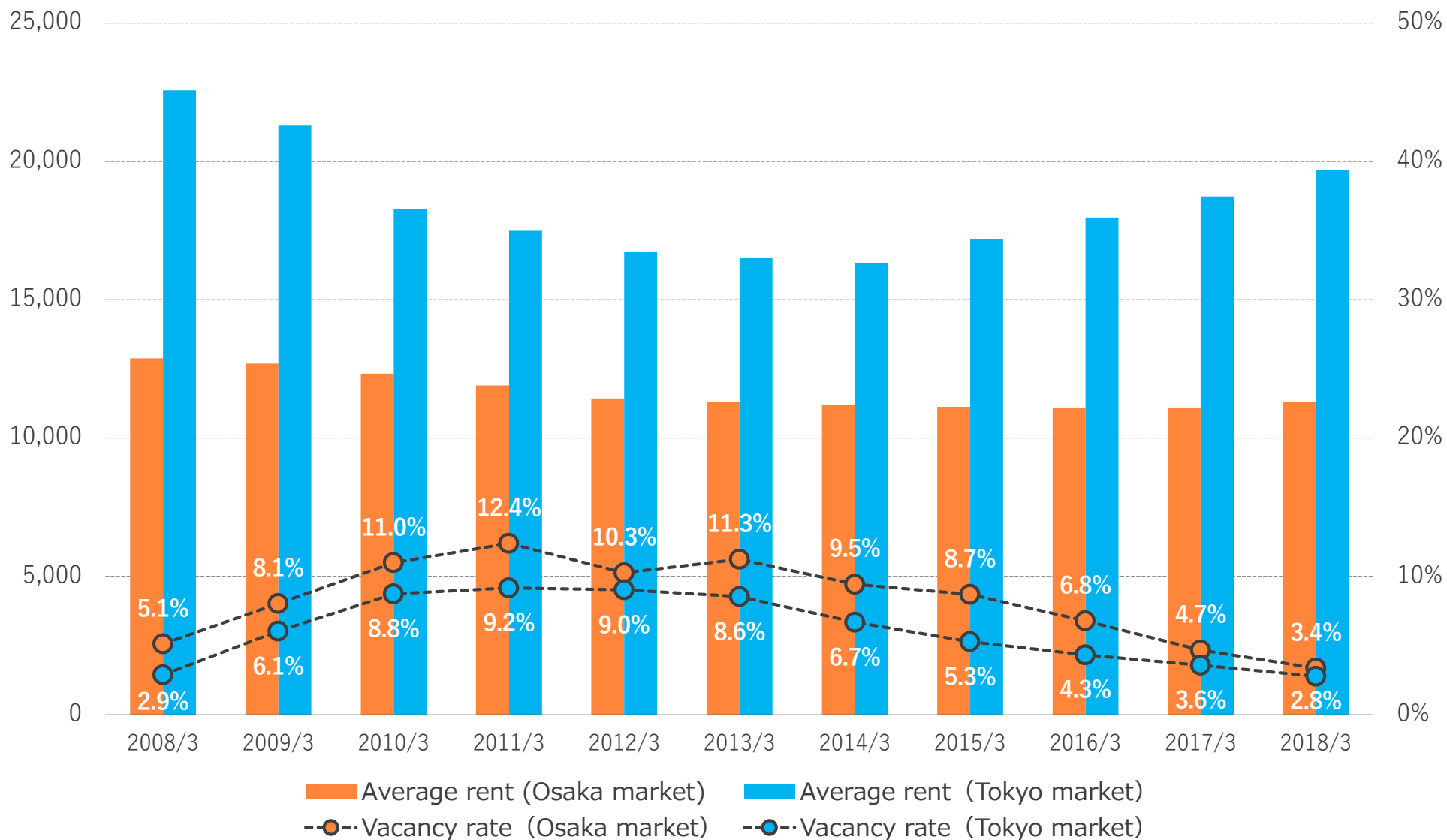
- **Future dividend policy (New Medium-term Management Plan):**
Stable dividends with a target dividends payout ratio of 30-35%
 (previous: Stable dividends targeting a dividends payout ratio at 30% or more)

Dividend trends



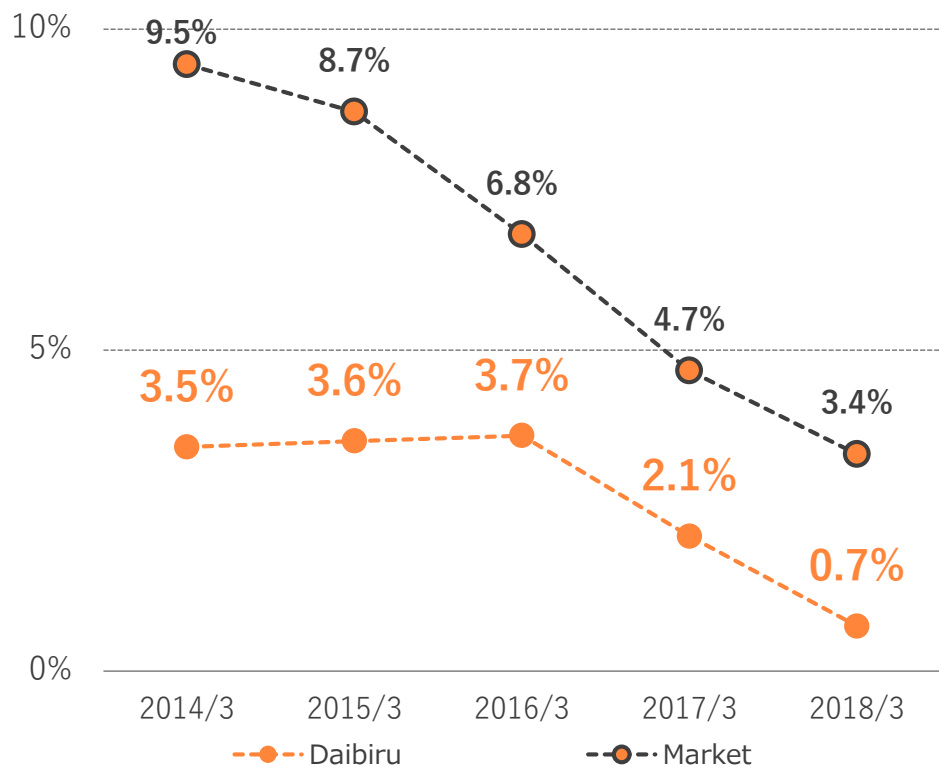
References -Vacancy Rates · Average Rents (Market)-

(Yen/ *tsubo*)

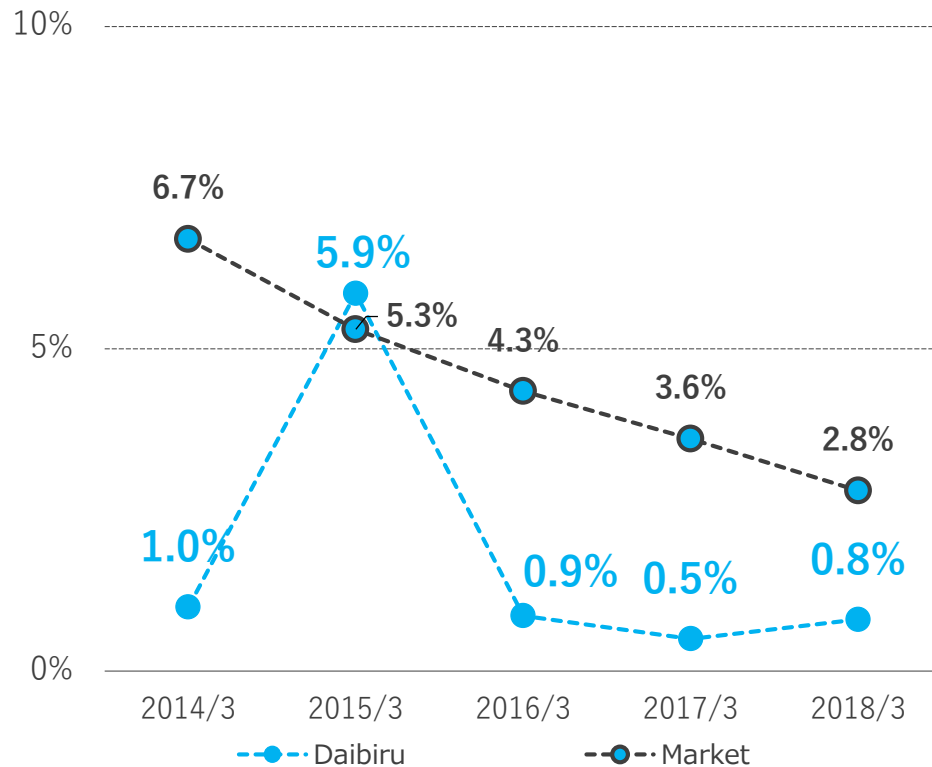


Source: Miki Shoji Co., Ltd. OFFICE MARKET DATA

Osaka area



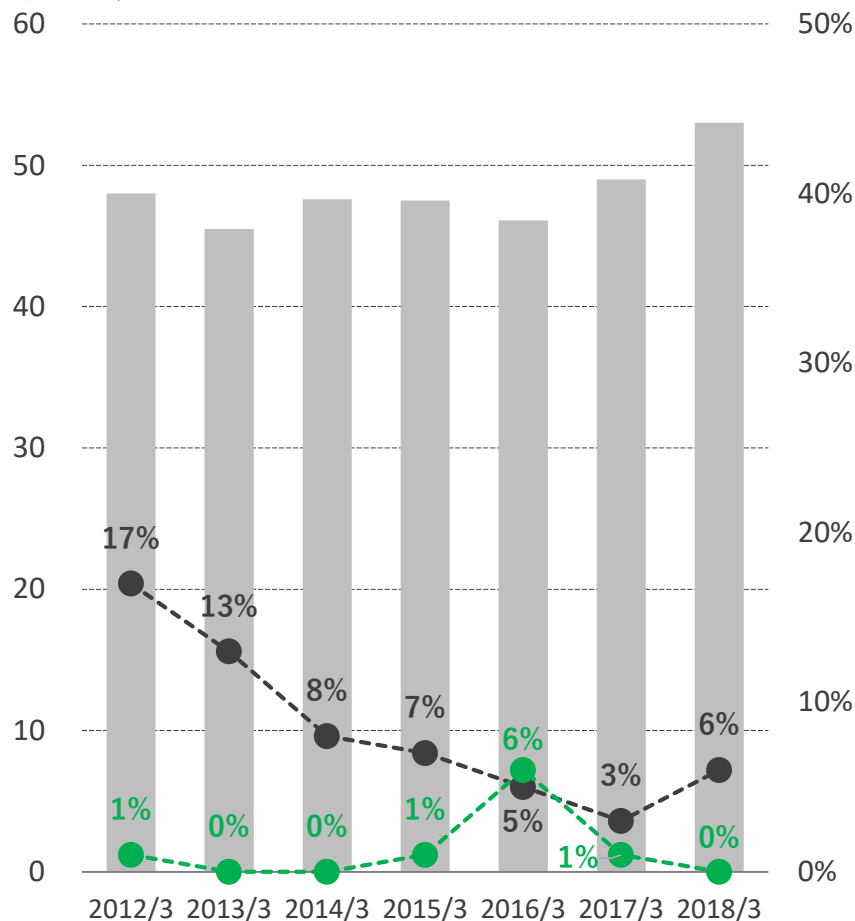
Tokyo area



	2014/3	2015/3	2016/3	2017/3	2018/3
Vacancy rates for the whole Company	2.4%	4.4%	2.6%	1.5%	0.7%

Ho Chi Minh

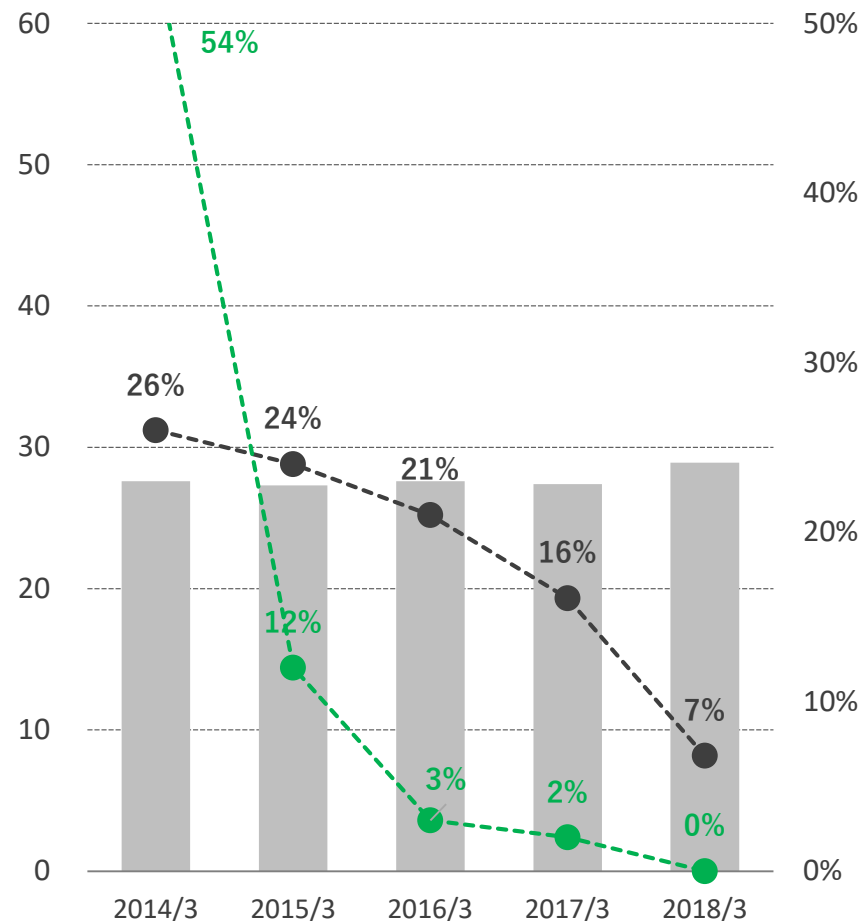
(US\$/m²/Month)



- Average rent (Grade A)
- Vacancy rate (Grade A)
- Vacancy rate (Saigon Tower)

Hanoi

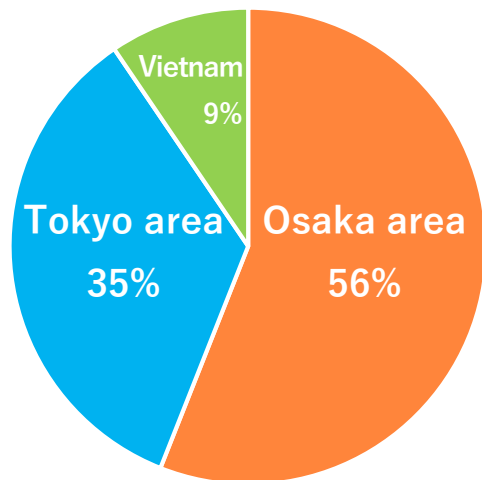
(US\$/m²/Month)



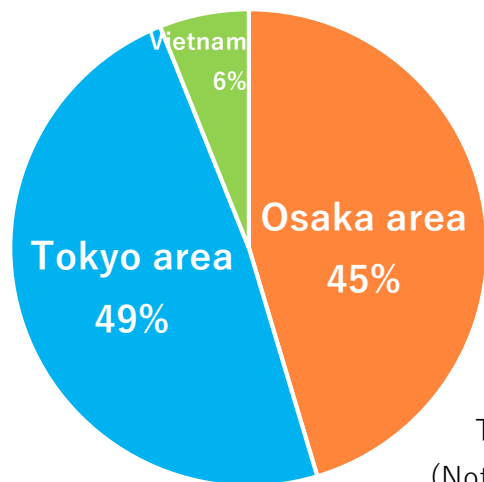
- Average rent (Grade A)
- Vacancy rate (Grade A)
- Vacancy rate (CornerStone Building)

Source: Savills Market Report

Gross floor area ratio



Revenue ratio (Fiscal 2017 Leasing)



Total revenue ¥31.25 billion

(Note) Before the elimination of intersegment amounts

	Number of properties	Gross floor area	
Office buildings and Commercial buildings	26	660,796m²	(199,891 tsubo)
Osaka area	12	378,879m ²	(114,611 tsubo)
Tokyo area	12	215,437m ²	(65,170 tsubo)
Vietnam	2	66,480m ²	(20,110 tsubo)
Residences	15	39,335m²	(11,899 tsubo)
Osaka area	2	13,184m ²	(3,988 tsubo)
Tokyo area	13	26,151m ²	(7,911 tsubo)
Total	41	700,131m²	(211,790 tsubo)

(Note) Properties in operation as of May 25, 2018. As to the co-owned properties, our share is stated.

References -List of Our Properties (Osaka)-

Daibiru-Honkan Building



Gross floor area: 48,198㎡
Size:22 floors above ground,
2 floors below ground
Completion: Feb. 2013

Nakanoshima Daibiru Building



Gross floor area: 79,543㎡
Size:35 floors above ground,
2 floors below ground
Completion: Mar. 2009

Shin-Daibiru Building



Gross floor area: 77,388㎡
Size:31 floors above ground,
2 floors below ground
Completion: Mar. 2015

Dojima Daibiru Building (ANA Crowne Plaza Osaka)



Gross floor area: 44,770㎡
Size:23 floors above ground,
3 floors below ground
Completion: Sep. 1984

Umeda Daibiru Building



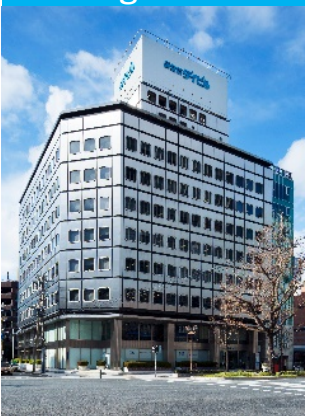
Gross floor area: 42,363㎡
Size:23 floors above ground,
3 floors below ground
Completion: May 2000

Tosabori Daibiru building



Gross floor area: 37,497㎡
Size:17floors above ground,
1 floor below ground
Completion: Jul. 2009

Midosuji Daibiru Building



Gross floor area: 13,399㎡
Size:8 floors above ground,
3 floors below ground
Completion: Sep. 1964

Yodoyabashi Daibiru Building



Gross floor area: 11,273㎡
Size:14 floors above ground,
2 floors below ground
Completion: Feb. 1997

Awajimachi Daibiru Building



Gross floor area: 10,344㎡
Size:8 floors above ground,
1 floor below ground
Completion: May 1986

Dokita Daibiru Building



Gross floor area: 4,283㎡
Size:7 floors above ground,
1 floor below ground
Completion: Mar. 1986

Kita-Umeda Daibiru Building



Gross floor area: 4,185㎡
Size:8 floors above ground,
1 floor below ground
Completion: Jan. 1997

Estate Tosabori Building



Gross floor area: 5,635㎡
Size:5 floors above ground,
1 floor below ground
Completion: Oct. 1997

References -List of Our Properties (Tokyo)-

Hibiya Daibiru Building



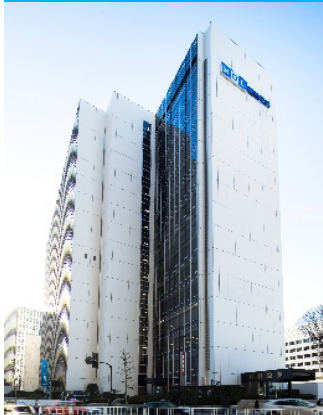
Gross floor area: 29,961㎡
Size:21 floors above ground,
3 floors below ground
Completion: Oct. 1989

Akihabara Daibiru Building



Gross floor area: 50,290㎡
Size:31 floors above ground,
2 floors below ground
Completion: Mar. 2005

**Shosen Mitsui Building
(Toranomon Daibiru Building)**



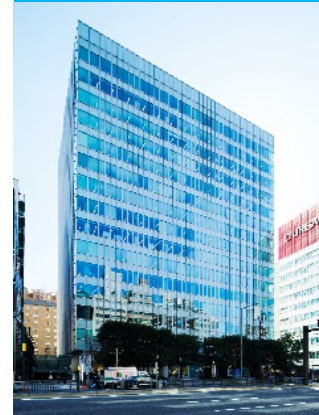
Gross floor area: 34,655㎡
Size:16 floors above ground,
3 floors below ground
Completion: Nov. 1979

Yaesu Daibiru Building



Gross floor area: 26,723㎡
Size:9 floors above ground,
5 floors below ground
Completion: Jun. 1968

Aoyama Rise Square



Gross floor area: 25,011㎡
Size:16 floors above ground,
2 floors below ground
Completion: Apr. 2003

Kojimachi Daibiru Building



Gross floor area: 11,610㎡
Size:7 floors above ground,
2 floors below ground
Completion: Sep. 1976

**Shinjuku Daibiru Building
(Shinjuku ALTA)**



Gross floor area: 11,255㎡
Size:8 floors above ground,
3 floors below ground
Completion: Apr. 1980

Shiba Daibiru Building



Gross floor area: 10,833㎡
Size:10 floors above ground,
1 floor below ground
Completion: Jun. 1989

Uchisaiwaicho Daibiru Building



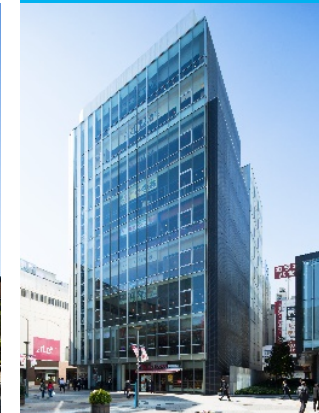
Gross floor area: 10,122㎡
Size:9 floors above ground,
2 floors below ground
Completion: Jan. 1983

Mita Nitto Daibiru Building



Gross floor area: 10,008㎡
Size:8 floors above ground,
1 floor below ground
Completion: Sep. 1986

Akihabara Daibiru Ekimae Plaza Building



Gross floor area: 3,201㎡
Size:9 floors above ground,
1 floor below ground
Completion: Mar. 2005

Estate Shiba Building



Gross floor area: 499㎡
Size:5 floors above ground
Completion: Dec. 1987

Osaka area



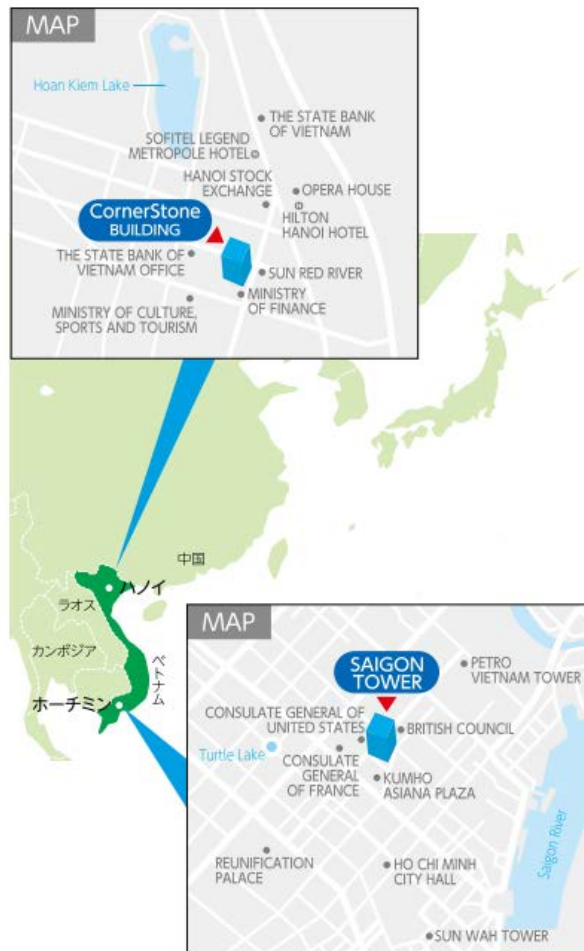
Tokyo area



CornerStone Building



Gross floor area: 48,494m²
 Size:14 floors above ground,
 3 floors below ground
 Completion: Jun. 2013



Saigon Tower



Gross floor area: 17,986m²
 Size:18 floors above ground,
 2 floors below ground
 Completion: Dec. 1996



New Medium-term Management Plan (Fiscal 2018 – 2022)

“Design 100” Project Phase- II

“Daibiru Excellence” towards Sustainable, Innovative & Global Next 100 (Century)

～ Return to Corporate Principles ～

May 25, 2018

DAIBIRU CORPORATION

Toshiyuki Sonobe

Representative Director,

President Chief Executive Officer



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➤ Revenue and income plans were mostly achieved

(Billions of yen)

	Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Plan	Result	Plan	Result	Plan	Result	Plan	Result	Plan	Result
Revenue from operations	35.5	35.6	36.5	35.8	38.5	37.3	40.0	39.5	42.0	40.4
Operating income	9.9	10.0	9.2	9.4	9.7	9.1	11.0	10.7	13.0	11.1
Ordinary income	8.6	8.7	7.4	8.3	8.0	8.0	9.5	9.7	10.5	10.6
Net income	5.1	5.6	4.0	5.2	5.0	5.3	6.0	6.2	6.5	7.3
EBITDA	16.5	16.7	16.0	16.0	18.0	17.3	19.0	18.3	21.5	18.9
Operating cash flows	13.0	13.0	10.5	11.5	15.0	14.5	16.0	15.2	16.0	14.0
D/E Ratio	1.1	1.1	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.9

➤ “Investment in high quality assets centered around three Wards in the central district of Tokyo” and “Expand assets in senior residences” fell short of the plan

(Billions of yen)

Action plans	Total investments in 5 years (Fiscal 2013-2017)		
	Plan	Result	Difference
Complete reconstruction of the Shin-Daibiru Building	28.0	28.0	± 0.0
Develop high quality office buildings in Vietnam	16.0	15.0	(1.0)
Enhance competitiveness of existing buildings through renewal investment	10.0	12.0	+ 2.0
Investment in high quality assets centered around three Wards in the central district of Tokyo	40.0	9.0	(31.0)
Expand assets in senior residences	8.0	1.0	(7.0)
Total	102.0	65.0	(37.0)

- Daibiru will welcome its 100th anniversary in fiscal 2023, after the conclusion of the plan
- For further leaps in the next 100 years, the plan focuses on our core Corporate Principles, aiming for sustainable growth

Corporate Principles

Constructing buildings, creating towns, pioneering the new era

The Daibiru Group creates comfortable, life-enhancing office and commercial spaces which bring bustling activity to local streets and towns. We try to be a pioneer, establishing a new era while always staying keenly attuned to the context of the times, allowing people to foster and pursue dreams in these new environments.

➤ Strategies were considered with a focus on **“Return to Corporate Principles”**

Corporate Principles

“Constructing buildings, creating towns, pioneering the new era”

Five Priority Strategies

Development

- 1 High-end office properties in CBD
(CBD: Central Business District)
- 2 Expansion of investment targets
(Midsize and small office/commercial properties, provincial cities)

Support society

- 4 (Investment to enhance the competitiveness of existing assets)
 - Enhancement of high-quality property management system
 - Enhancement of relationships with customers
 - Large scale renovations

Unique vision

- 3 Improvement of overseas businesses
(Expansion of Vietnam businesses; Businesses evolution to Australia, etc.)
- 5 Enhancement and expansion of property maintenance businesses

Reconstruction of existing buildings
(Yaesu Daibiru building and Midosuji Daibiru building)

Expansion of investments in technologies

Enhancement of initiatives to promote ESG

(Note) “Expand assets in senior residences” under Phase-I is suspended during Phase-II

Corporate Principles

“Constructing buildings, creating towns, pioneering the new era”

Create and develop the second core

Improvement of overseas businesses
(Expansion of Vietnam businesses;
Businesses evolution to Australia, etc.)

Expansion of investments targets
(Midsize and small office/commercial properties, provincial cities)

Deepen the first core

Enhancement and expansion of
property maintenance businesses

High-end office properties in CBD

Reconstruction of existing buildings
(Yaesu Daibiru building and Midosuji Daibiru building)

Large scale renovations

Integrated operation covering from development to reconstruction of high-end properties in CBD

(Development of well-located high-end buildings/High-quality property management/ Relationships with tenants/Long-term holdings/Reconstruction)

Enhancement of relationships
with customers

Enhancement of high-quality
property management system

Enhancement of initiatives
to promote ESG

Five Priority Strategies

(1) Investment in high-end office properties in CBD



(2) Expansion of investments targets



(3) Improvement of overseas businesses



New Medium-Term Management Plan (FY2018 to FY2022)

“Design 100” Project Phase- II

“Daibiru Excellence” towards Sustainable, Innovative & Global Next 100 (Century)

～ Return to Corporate Principles ～

(4) Investment to enhance the competitiveness of existing assets



(5) Enhancement and expansion of property maintenance businesses



- **Look for investment opportunities while carefully assessing trends in an overheating real estate transaction market**
 - **Reinforce a dedicated team to develop channels in different directions that could lead to access to various property information**
-
- Plan to invest in prime properties mainly in central areas of Tokyo and Osaka



- **Raise investment potential by expanding investment targets to those other than high-end office properties in CBD**
- **Consider participation in joint businesses through minority stake investments with a view to property acquisition over the medium- and long-term**

Midsize and small office/commercial properties

- Select properties with an eye to future redevelopment involving neighboring areas, not just to operation as profit-generating properties
- Akihabara Project (Tentative name)

Provincial cities

- Cities to survey : Sapporo, Sendai, Nagoya, Hiroshima, Fukuoka, etc.



- **Strive to acquire fourth prime property either in Ho Chi Minh or Hanoi, Vietnam, where continued expansion of the office market is expected**
- **Diversify overseas business portfolio by combining with investments in Australia or elsewhere in other Asia and Oceania markets surrounding Vietnam**

Expansion of Vietnam businesses

- Take full advantage of the brand power we are establishing in Vietnam along with first mover advantage
- Consider joint projects with excellent partners
- Continue pursuing property management with Japanese (Daibiru) quality for existing buildings with high occupancy rates



Businesses evolution to Australia, etc.

- Focus on transparency and liquidity of real estate market, as well as on future population growth



- **Maintain and enhance the competitiveness of leasing buildings, which are at the core of the Company's business foundation**
- **Reconstruct/renovate aging buildings with declined competitiveness to have them adapt to sophisticated social needs**

Enhancement of high-quality property management system

Enhancement of relationships with customers



Large scale renovations, etc.

- Renewal construction of the Shiba Daibiru Building
- Implementation of environmentally-conscious renovation works

Reconstruction of existing buildings

- Yaesu Daibiru building (Details: P.18)
- Midosuji Daibiru building (Details: P.19)

- Promote enhancement of PM business while furthering cooperation among Group companies
- Aim to expand facility management/contract works services through M&As of facility management companies with technical experts

Activities and achievements of MOL Kosan Co., Ltd. engaged in the property maintenance business

- Jul. 2015 Established “PM Business Promotion Office”
- M&As of facility management companies
 - Jan. 2013 Acquired “Tanshin Building Services Co., Ltd.”
(Capital: ¥20 million; Revenue in fiscal 2017: ¥589 million)
 - Nov. 2016 Acquired “Nishinihon Sogo Setsubi Co., Ltd.”
(Capital: ¥10 million; Revenue in fiscal 2017: ¥206 million)



➤ Total investments for five years will be ¥120.0 billion

(Billions of yen)

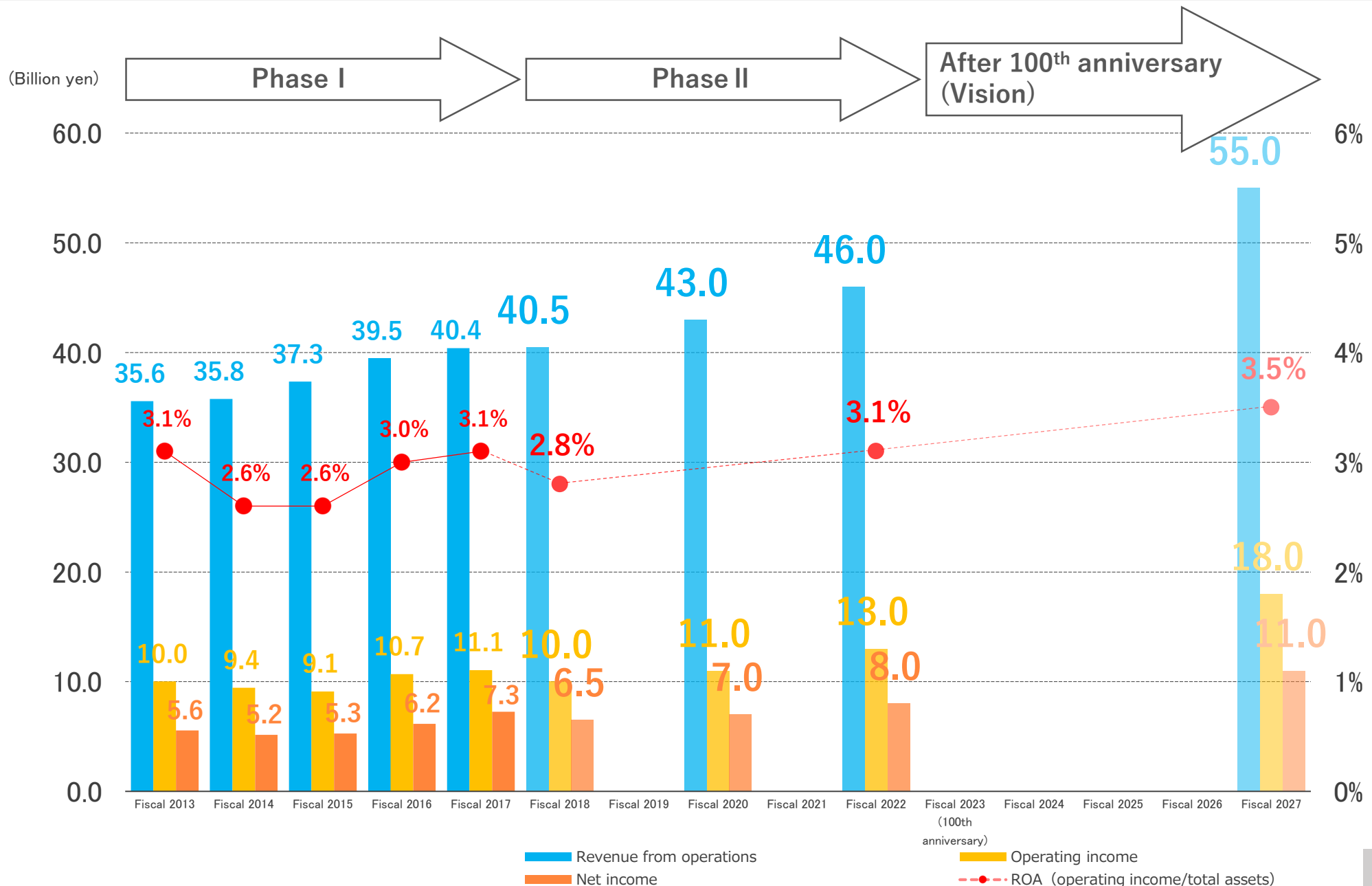
Priority Strategies	Investment (Fiscal 2018 -2022)
Investment for growth	
(1) Investment in high-end office properties in CBD	65.0
(2) Expansion of investment targets	
(3) Improvement of overseas businesses	40.0
Enhancement of business bases	
(4) Investment to enhance the competitiveness of existing assets	15.0
(5) Enhancement and expansion of property maintenance businesses	
Total	<u>120.0</u>

➤ Aim for steady growth and further leap after the 100th anniversary (FY2023)

(Billions of yen)

	FY2017	FY2018	FY2020	FY2022					FY2027 (Vision)
Revenue	40.4	40.5	43.0	46.0					55.0
Operating Income	11.1	10.0	11.0	13.0					18.0
Net Income	7.3	6.5	7.0	8.0					11.0
ROA [Operating Income / Total Assets]	3.1%	2.8%		3.1%					3.5%
Debt Equity Ratio	0.9	0.9		1.1					1.2

Quantitative Targets



Organization changes

- Set up new organizations: “Business Planning Department” and “Overseas Business Office.” Reinforcement of “Real Estate Development Office” human resources.
- Set up new organization: “Work Style Reforms Unit” under the Human Resources Department.

Strategies for human resources and information systems

- Productivity improvements and creation of results through “work style reforms” and “ICT strategies.”

Financial Strategies

- Continuing to maintain a debt equity ratio of around one to preserve competitiveness in fund-raising capability.

Fundamental policy for Dividend Payment

- Our fundamental policy is to implement stable dividend distribution with business performance taken into account while strengthening our balance sheet and enhancing internal reserves for future business development.
- With regard to dividend payout ratio, we will pay stable dividends with a target of 30-35%.
(Previous: The Company has targeted the medium- to long-term standard value of the dividend payout ratio at 30% or more.)

Enhancement of initiatives to promote ESG

- Expansion of investments in technologies for safety, wellbeing, and energy-saving.
- Reduction of shareholdings in other listed companies.



- Completion in 1968 (50 years old)
- Scheduled to be closed at the end of 2021
- Target completion in fiscal 2025
- Make maximum use of its location with direct access to the Yaesu exit (Tokyo Station) and Yaesu underground shopping mall



Rooftop tree garden)

- Completion in 1964 (54 years old)
- Scheduled to be closed at the end of 2020
- Target completion in fiscal 2023
- Make maximum use of its location on Midosuji street, the “main street of Naniwa” that runs from Umeda (north) to Namba (south) through central Osaka



Toward the 100th anniversary of completion of Midosuji street in 2037, there is a plan to make the 3-kilometer roadway completely car-free, including the area in front of the building site [see images below]

Current Midosuji Street [car-centric street]

(Source: “Midosuji future vision (proposal)” of Midosuji 80th Anniversary Project Promotion Committee)



Conceptual drawing of car-free Midosuji street [pedestrian-centric street]

(Source: “Midosuji future vision (proposal)” of Midosuji 80th Anniversary Project Promotion Committee)

